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SUBJECT: WTO TRADE TALKS: FRENCH BUSINESS BEGINS TO
CRITICIZE FRENCH PRO-FARM POSITION

1. SUMMARY. In a first public breach of the French position on agricultural trade, French business leaders -- with French Ministers of Economy and of Trade present -- openly criticized the GOF's support for the interests of the agricultural sector and maintenance of the EU's Common Agricultural Policy (CAP). At a public meeting sponsored last week by MEDEF, the French employers association, business leaders expressed their strong support for the WTO talks, and called for the GOF not to neglect France's "offensive" interests in non-agricultural market access and services. Farm groups have reacted angrily. This is the first time that the GOF's pro-farm interest "solidarity" has been broken publicly. Despite reassurances to the contrary by MEDEF, if upcoming WTO negotiations end in a stalemate, business leaders may well blame farm interests. END SUMMARY

2. (SBU) At a MEDEF meeting Nov 25 with the French Ministers of Finance and Trade, French entrepreneurs, managers and business leaders expressed their strong support for the WTO talks. Flanked by Economy Minister Thierry Breton and Junior Trade Minister Christine Lagarde, MEDEF President Laurence Parisot, France's top private sector representative, said the Doha Round was vital for economic growth in France and in Europe. Other business representatives were more critical, publicly and privately expressing their concern over the current stalemate in which French officials had rallied almost exclusively to the defense of narrow agricultural interests at the expense of manufacturing and service industries. According to press reports, one businessman reminded the Ministers that industry and services accounted respectively for 85 percent and 12 percent of France's exports and employed 62 percent of France's workforce.

BUSINESS: GOF IS "HOLDING WTO POSITION HOSTAGE"

3. (SBU) In her main address, Parisot agreed that the negotiations should not be limited to agriculture. In personal comments to the press, other private sector representatives strongly criticized the GOF's unquestioning support of the French farm lobby's position at the expense of France's other economic interests. At the meeting, one business leader vocally criticized the government for "holding the French WTO position hostage" to narrow farm interests.

4. (U) The leading French farm union FNSEA reacted immediately, publishing a press release following the forum condemning "the naivety of MEDEF". The press release called for MEDEF to unite with other organizations such as FNSEA to preserve the so-called French model (of economic development). Farm leaders argued that an agreement on agriculture would certainly not lead to increased liberalization for industry and services. Some French farm leaders even openly expressed their wish for a failure of the Hong Kong Ministerial, saying that no agreement would be better than a bad agreement.

5. (U) In later interviews to the press, Parisot denied the implication that business would blame farmers if the Doha trade talks failed. She added that the French business community fully supports EU trade negotiator Mandelson in his call for a balanced agreement, involving agriculture, industry and services.

COMMENT: A FIRST BREACH IN THE WALL

6. (SBU) This incident highlights the growing discontent within the French business community about EU farm policy and the EU's negotiating stance leading up to Hong Kong. This is the first time that business has openly criticized the French government's unswerving support for maintaining the EU's Common Agricultural Policy (CAP) and protecting its main beneficiaries, increasingly corporate farmers and absentee landlords. Until now, government ministers have publicly tripped over each other to show their allegiance to President Jacques Chirac's strong pro-farm position. However, Breton and Lagarde's presence at this MEDEF forum

highlights a subtle shift, if not a potential breach, in that solidarity. Despite reassurances to the contrary by MEDEF, if upcoming WTO negotiations do end in a stalemate, French business leaders may well blame farm interests. Curiously, MEDEF has already recommended that in case the Doha WTO talks should fail, the EU should follow the U.S. example and sign more bilateral or regional free-trade agreements.

STAPLETON